

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Alma Housing Commission	County Gratiot
Fiscal Year End 12/31/06	Opinion Date 6/29/07	Date Audit Report Submitted to State 7/13/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

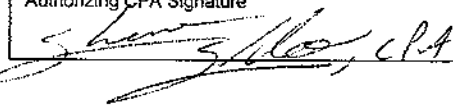
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	None issued	
Other (Describe)	<input checked="" type="checkbox"/>	None	
Certified Public Accountant (Firm Name) Anderson, Tackman & Co., PLC		Telephone Number 906-774-4300	
Street Address PO Box 828		City Iron Mountain	State MI
		Zip 49801	
Authorizing CPA Signature 	Printed Name Shane M. Ellison, CPA		License Number 263063

ALMA HOUSING COMMISSION
REPORT ON FINANCIAL STATEMENTS
(with supplemental information)
For the Year Ended December 31, 2006

ALMA HOUSING COMMISSION

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ANDERSON, TACKMAN & COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

A Regional Firm with Offices in Michigan and Wisconsin

Principals - Iron Mountain:
L. Robert Schaut, CPA
David J. Johnson, CPA
Shane M. Ellison, CPA

Member of:
Private Companies Practice Section
American Institute of Certified
Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Alma Housing Commission
Alma, Michigan

We have audited the accompanying financial statements of the business-type activities of the Alma Housing Commission, a component unit of the City of Alma, Michigan, as of and for the year ended December 31, 2006, which collectively comprise the Commission's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Alma Housing Commission as of December 31, 2006, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2007 on our consideration of the Alma Housing Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 8 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Alma Housing Commission's basic financial statements. The Financial Data Schedule is presented for the purpose of additional analysis as required by the U.S. Department of Urban Housing and Development and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*", and is also not a required part of the basic financial statements of Alma Housing Commission. The Financial Data Schedule and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

June 29, 2007

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Alma Housing Commission's financial performance provides an overview of the financial activities for the year ended December 31, 2006. Please read it in conjunction with the Commission's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- Net assets for the entire Commission were \$4,148,854 for the year ended December 31, 2006 compared to \$3,873,463 for the year ended December 31, 2005.
- The Commission's operating revenues totaled \$972,358 for the year ended December 31, 2006 and \$862,940 for the year ended December 31, 2005, while operating expenses totaled \$999,816 for the year ended December 31, 2006 and \$941,361 for the year ended December 31, 2005.

USING THIS REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows (on pages 9 to 12) provide information about the activities of the Commission as a whole and present a longer-term view of the Commission's finances.

REPORTING THE COMMISSION AS A WHOLE

Our analysis of the Commission as a whole begins on page 9. One of the most important questions asked about the Commission's finances is "Is the Commission, as a whole, better off or worse off as a result of the year's activities"? The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses, and Change in Net Assets, and the Statement of Cash Flows report information about the Commission as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Commission's *net assets* and changes in them. You can think of the Commission's net assets – the difference between assets and liabilities – as one way to measure the Commission's financial health, or *financial position*. Over time, *increases or decreases* in the Commission's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the population of low income and elderly individuals.

In the Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses, and Change in Net Assets, and the Statement of Cash Flows, the Commission's activities are reported as business-type activities:

- Business-type activities – The Commission charges rent to tenants to help cover all or most of the costs of services it provides.

REPORTING THE COMMISSION'S MOST SIGNIFICANT FUNDS

Our analysis of the Commission's major activities begins on page 9. The financial statements provide detailed information on all of the Commission's activities. The Commission uses proprietary funds to account for its activities. The method of accounting for proprietary funds is explained below.

- *Proprietary funds* – The Commission charges tenants rent for the housing services it provides and these services are reported in a proprietary fund. Proprietary funds are reported in the same way for its activities and are reported in the Statement of Net Assets and the Statement of Revenues, Expenses, and Change in Net Assets.

THE COMMISSION AS A WHOLE

The Commission's combined net assets for the year ended December 31, 2006 increased \$275,391 from December 31, 2005.

	Assets	
	December 31,	
	2006	2005
Current assets	\$1,704,916	\$1,445,081
Capital assets (net)	<u>2,530,133</u>	<u>2,510,482</u>
Total assets	<u>4,235,049</u>	<u>3,955,563</u>
	Liabilities	
Current liabilities	74,140	73,563
Noncurrent liabilities	<u>12,055</u>	<u>8,537</u>
Total liabilities	<u>86,195</u>	<u>82,100</u>
	Net Assets	
Invested in capital assets, net of related debt	2,530,133	2,510,482
Restricted - reserve for replacement	-	55,536
Unrestricted	<u>1,618,721</u>	<u>1,307,445</u>
Net Assets	<u>\$4,148,854</u>	<u>\$3,873,463</u>

Net assets of the Commission stood at \$4,148,854 for the year ended December 31, 2006 compared to \$3,873,463 for the year ended December 31, 2005. Unrestricted net business assets were \$1,618,721 for the year ended December 31, 2006 compared to \$1,307,445 for the year ended December 31, 2005. Restricted net business assets were \$0 for the year ended December 31, 2006 compared to \$55,536 for the year ended December 31, 2005. In general, the Commission's unrestricted net assets are used to fund operations of the Commission. The increase in current assets was largely due to a \$200,065 increase in cash.

Table 2

CHANGE IN NET ASSETS

	Year Ended December 31,	
	2006	2005
Revenues:		
Program revenues:		
Charges for services	\$ 273,573	\$ 265,446
Program grants and subsidies	926,553	664,097
General revenues:		
Other revenues	22,561	26,882
Unrestricted investment earnings	<u>52,520</u>	<u>28,316</u>
Total revenues	1,275,207	984,741
Program Expenses:		
Operating expenses	<u>999,816</u>	<u>941,361</u>
Change in net assets	275,391	43,380
Net assets - beginning of period	<u>3,873,463</u>	<u>3,830,083</u>
Net assets - end of period	<u>\$4,148,854</u>	<u>\$ 3,873,463</u>

BUSINESS - TYPE ACTIVITIES

Revenues for the Commission totaled \$1,275,207 during December 31, 2006 compared to \$984,741 during December 31, 2005. The Commission's average unit months leased on a monthly basis had decreased during the current year. In addition, HUD operating funds and capital funding grants had increased during the current year. The Commission depends on HUD operating and capital grants to assist in covering its operating expenses. The increase in program grants and subsidies is largely due to an increase in capital grants.

CAPTIAL ASSETS

Capital Assets

The Commission had \$6,480,004 invested in a variety of capital assets including land, equipment and buildings for the year ended December 31, 2006 compared to \$6,231,021 for the year ended December 31, 2005.

Table 3

CAPITAL ASSETS Business - Type Activity

	December 31,	
	2006	2005
Land and improvements	\$ 1,153,554	\$ 923,688
Building and improvements	4,907,967	4,892,545
Equipment	<u>418,483</u>	<u>414,788</u>
Total	6,480,004	6,231,021
Less accumulated depreciation	<u>(3,949,871)</u>	<u>(3,720,539)</u>
NET CAPITAL ASSETS	<u>\$ 2,530,133</u>	<u>\$2,510,482</u>

The Commission invested \$249,429 in capital assets during the year ended December 31, 2006.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Commission's appointed officials considered many factors when setting the budget for the calendar year 2007. The current availability of low income and elderly tenants has been a major contributing factor in establishing the budgeted amounts. In the upcoming year, we do not anticipate any significant change in the occupancy rate and availability of new tenants that will provide any substantial increase in revenues. There continues to be a variety of inflationary cost and expense issues out of the control of the Commission. All of these were taken into consideration during the 2007 budget process.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide the readers with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Commission's Executive Director, Marcia Zimmerman, at 400 E. Warwick Drive, Alma, Michigan 48801, or call 989-463-4200.

ALMA HOUSING COMMISSION

STATEMENT OF NET ASSETS
Proprietary Fund

December 31, 2006

CURRENT ASSETS:	
Cash and equivalents	\$ 1,508,632
Accounts receivable	7,016
Investments	187,581
Prepaid expenses	<u>1,687</u>
TOTAL CURRENT ASSETS	<u>1,704,916</u>
NONCURRENT ASSETS:	
Capital assets	6,480,004
Less accumulated depreciation	<u>(3,949,871)</u>
NET CAPITAL ASSETS	<u>2,530,133</u>
TOTAL ASSETS	<u>4,235,049</u>
CURRENT LIABILITIES:	
Accounts payable	6,941
Accrued liabilities	<u>67,199</u>
TOTAL CURRENT LIABILITIES	74,140
NONCURRENT LIABILITIES	<u>12,055</u>
TOTAL LIABILITIES	<u>86,195</u>
NET ASSETS:	
Investment in capital assets, net of related debt	2,530,133
Unrestricted net assets	<u>1,618,721</u>
NET ASSETS	<u>\$ 4,148,854</u>

The accompanying notes to financial statements are an integral part of this statement.





**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS

ALMA HOUSING COMMISSION

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2006

FUNCTIONS/PROGRAMS	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
BUSINESS-TYPE ACTIVITIES:				
Public Housing	\$ 999,816	\$ 273,573	\$ 677,124	\$ 249,429
				\$ 200,310
General revenues:				
Unrestricted investment earnings				52,520
Other				22,561
Total general revenues				75,081
Changes in net assets				275,391
NET ASSETS, beginning of year				3,873,463
NET ASSETS, end of year				\$ 4,148,854

The accompanying notes to financial statements are an integral part of this statement.

ALMA HOUSING COMMISSION

**STATEMENT OF REVENUES, EXPENSES, AND CHANGE
IN NET ASSETS
Proprietary Fund**

For the Year Ended December 31, 2006

OPERATING REVENUES:

Tenant revenue	\$ 273,573
Program grants-subsidies	677,124
Other income	<u>21,661</u>

TOTAL OPERATING REVENUES	<u>972,358</u>
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OPERATING EXPENSES:

Administration	206,282
Tenant services	3,010
Utilities	112,806
Maintenance	209,122
General	37,262
Housing assistance payments	201,556
Depreciation	<u>229,778</u>

TOTAL OPERATING EXPENSES	<u>999,816</u>
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OPERATING (LOSS)	<u>(27,458)</u>
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NONOPERATING REVENUES AND (EXPENSES):

Capital grants	249,429
Gain on sale of fixed assets	900
Interest income	<u>52,520</u>

TOTAL NONOPERATING REVENUES AND (EXPENSES)	<u>302,849</u>
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CHANGE IN NET ASSETS	275,391
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NET ASSETS, BEGINNING OF YEAR	<u>3,873,463</u>
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NET ASSETS, END OF YEAR	<u>\$ 4,148,854</u>
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ALMA HOUSING COMMISSION

STATEMENT OF CASH FLOWS
Proprietary Fund

For the Year Ended December 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 275,190
Cash received from grants and subsidies	671,324
Cash payments to suppliers for goods and services	(418,659)
Cash payments for wages and related benefits	(334,869)
Cash payments for payment in lieu of taxes	(10,599)
Other receipts	21,661

NET CASH PROVIDED FROM OPERATING ACTIVITIES 204,048

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital grants	249,429
Acquisition of capital assets	(249,429)
Proceeds from sale of capital assets	900

NET CASH PROVIDED FROM CAPITAL AND
RELATED FINANCING ACTIVITIES 900

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(57,403)
Investment income	52,520

NET CASH (USED) BY INVESTING ACTIVITIES (4,883)

NET INCREASE IN CASH AND EQUIVALENTS 200,065

CASH AND EQUIVALENTS, BEGINNING OF YEAR 1,308,567

CASH AND EQUIVALENTS, END OF YEAR \$ 1,508,632

RECONCILIATION OF OPERATING INCOME TO NET

CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income (loss)	\$ (27,458)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	229,778
Changes in assets and liabilities:	
Decrease (Increase) in receivables	(4,183)
Decrease (Increase) in prepaid expenses	1,816
Increase (Decrease) in accounts payable	5,567
Increase (Decrease) in accrued liabilities	(1,472)

NET CASH PROVIDED FROM OPERATING ACTIVITIES \$ 204,048

The accompanying notes to financial statements are an integral part of this statement.



ALMA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE REPORTING ENTITY

The Alma Housing Commission (Commission) was formed by the City of Alma Commission under Public Act 18 of 1933 of the State of Michigan. The Commission operates under a Board of Commissioners appointed by the City Manager.

The Commission manages 94 units of low rent public housing, 62 section 8 vouchers and 30 units of which, for financial reporting purposes, includes all of the activities relevant to its operations of section 8 new construction.

Component Unit

In evaluating how to define the Commission for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity*.

The criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements include budget adoption, taxing authority, funding, appointment of the respective governing board, and scope of public service.

Based on the foregoing criteria, it was determined there are no component units of the Alma Commission, but the Alma Housing Commission is a component unit of the City of Alma, Michigan.

The accounting policies of the Commission conform to accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

BASIS OF PRESENTATION

The Commission presents its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34.

Government-Wide Financial Statements:

The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows display information about the Commission as a whole. They include all business-type activities of the Commission. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

ALMA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION (Continued)

Proprietary Fund

Proprietary Funds are used to account for operations, (a) which are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus:

The government-wide Statement of Net Assets, Statement of Activities, and the Statement of Revenues, Expenses and Change in Net Assets are presented using the economic resource measurement focus as defined below.

- a. The Commission utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported.

Basis of Accounting:

The Statement of Net Assets, Statement of Activities, Statement of Revenues, Expenses and Change in Net Assets, and the Statement of Cash Flows are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

As allowed by GASB Statement No. 20, the Commission's business-type activity follows all GASB pronouncements and FASB Statements and Interpretations that were issued on or after November 30, 1989, except those that conflict with a GASB pronouncement.

ASSETS, LIABILITIES AND NET ASSETS

- a. Cash and Equivalents - The Commission's cash and cash equivalents, as reported in the Statement of Cash Flows and the Statement of Net Assets, are considered to be cash on hand, demand deposits, and short-term investments with maturities of three months or less.

ALMA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET ASSETS

- b. Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.
- c. Due to and Due From Other Programs – Interprogram receivables and payables arise from interprogram transactions and are recorded by all funds affected in the period in which transactions are executed.
- d. Capital Assets – Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and improvements	10-40 years
Furniture and other equipment	5-10 years

The Commission has adopted a capitalization policy for capital assets of \$2,500 per item.

- e. Compensated Absences - It is the Commission's policy to permit employees to accumulate a limited amount of earned but unused sick leave and vacation days, which will be paid to employees upon separation from the Commission. The cost of vested sick leave and vacation days are recognized as an expense as earned by the employees.
- f. Equity Classification

Equity is classified as net assets and displayed in two components:

1. Invested in capital assets – Consists of capital assets, net of accumulated depreciation.
2. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

ALMA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

(Continued)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUES AND EXPENSES

Operating revenues and expenses are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Expenses are classified by operating and nonoperating and are subclassified by function, such as salaries, supplies, and contracted services.

OTHER SIGNIFICANT ACCOUNTING POLICIES

Interprogram Activity:

As a general rule, the effect of activity between programs has been eliminated from the government-wide statements.

The transfers of cash between the various Authority programs are reported separately from revenues and expenses as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing program.

Interprogram receivables and payables are eliminated from the Statement of Net Assets.

Budgets and Budgetary Accounting:

Budgets are adopted on a basis prescribed or permitted by the Department of Housing and Urban Development. All annual appropriations lapse at fiscal year end. The Commission follows these procedures in establishing the budgetary date reflected in the financial statements:

1. The Director submits to the Board a proposed operating budget for the fiscal year commencing on January 1st. The operating budget includes proposed expenses and the means of financing them. Prior to December 31st, the budget is legally adopted by Board resolution.
2. Formal budgetary integration is employed as a management control device during the year.
3. The budget has been amended. Supplemental appropriations were made during the year with the last one approved prior to December 31st.

ALMA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

(Continued)

NOTE B - CASH AND INVESTMENTS

Cash and Equivalents

The Commission's cash and equivalents, as reported in the Statement of Net Assets, consisted of the following:

Petty cash	\$ 250
Checking accounts	1,423,136
Money market accounts	<u>85,246</u>
 TOTAL	 <u>\$1,508,632</u>

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned. As of December 31, 2006, the Commission held cash and equivalents in excess of FDIC insurance in the amount of \$1,685,519 which was fully collateralized by governmental securities having a fair market value of \$1,897,010 at December 31, 2006.

The Commission's investments, as reported in the Statement of Net Assets, consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>(Investment Maturities in Years)</u>	
		<u>Less Than 1 Year</u>	<u>1-5 Years</u>
Certificates of Deposit	<u>\$187,581</u>	<u>\$82,322</u>	<u>\$105,259</u>

Investments are recorded at fair market value, which is based on quoted market prices.

Michigan statutes authorize the Commission to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposit, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days of date of purchase, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned. As of December 31, 2006, the Commission held investments in excess of FDIC insurance in the amount of \$89,442 which were collateralized by Fannie Mae Bonds having a fair market value of \$275,000 at December 31, 2006.



ALMA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

(Continued)

NOTE B - CASH AND INVESTMENTS (Continued)

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Commission's investments. State law limits the allowable investments as described above. The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other party to an investment will not fulfill its obligations. The Commission has no investment policy limiting its investments in excess of state law on investment credit. Ratings are not required for the Commission's investments outlined above. The Commission's investments are in accordance with statutory authority.

Concentration of Credit Risk. The Commission places no limit on the amount the Commission may invest in one issuer. However, the Commission is required to have all funds in excess of insured amounts to be collateralized. The Commission's investments and balances are with the following financial institutions:

Commercial Bank, Alma, MI	\$ 83,385
First Bank, Alma, MI	<u>104,196</u>
Total	<u>\$187,581</u>

NOTE C - CAPITAL ASSETS

A summary of capital assets as of December 31, 2006 is as follows:

	Balance 1-1-06	Additions	Deletions	Balance 12-31-06
Land and improvements	\$ 923,688	\$ 229,866	\$ -	\$1,153,554
Building and improvements	4,892,545	15,422	-	4,907,967
Equipment	<u>414,788</u>	<u>4,141</u>	<u>(446)</u>	<u>418,483</u>
	6,231,021	<u>\$ 249,429</u>	<u>\$ (446)</u>	6,480,004
Accumulated depreciation	<u>(3,720,539)</u>	<u>\$ (229,778)</u>	<u>\$ 446</u>	<u>(3,949,871)</u>
Net capital assets	<u>\$2,510,482</u>			<u>\$2,530,133</u>

Depreciation expense for the year was \$229,778.



ALMA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE D - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE E - USE OF ESTIMATES

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE F - VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Commission is dependent upon the Department of Housing and Urban Development (HUD) to fund its operations through operating subsidies and capital funding grants. Total revenues for the year ended December 31, 2006 totaled \$1,275,207 of which \$926,553 or 72.7% was from HUD subsidies and grants.

The operations of the project are subject to rules and regulations of HUD. These rules and regulations are subject to change. Such changes may occur with short notice and could create a lack of funding to pay for operational related costs, including the additional administrative burden to comply with the changes.

NOTE G - PENSION PLAN

Description of Plan and Plan Assets - The Housing Commission participates along with the City of Alma in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final average compensation (FAC). The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2005.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (MSA 5.3333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and requires supplementary information for the system. That report may be obtained by writing to the MERS at 447 Canal Road, Lansing, Michigan 48917-9755.

ALMA HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

(Continued)

NOTE G – PENSION PLAN (Continued)

Funding Policy – For the non-union employees, the City Commission has established an employee contribution rate of 5.5% of gross wages to maintain the system. Under an agreement negotiated with the police union, the unionized employees also contribute 5.5% of the employee's gross wages towards the maintenance and operation of the pension program.

Actuarial Assumptions – The actuarial information presented in the required supplementary information was based on the assumptions included below:

Variable	Assumption
Valuation Date	December 31, 205
Actuarial cost method	Entry age normal cost
Amortization method	Level percentage; open
Amortization period	30 years
Asset valuation method	5-year smoothed market
Investment rate of return	8%
Projected salary increases*	12.9% to 4.5%
*Includes inflation at	4.5%
Cost of-living adjustments	None

Annual Pension Cost – For year ended June 30, 2006 the City's annual pension cost was \$12,067. The pension numbers included are based on the December 31, 2005 actuarial report. Three-year trend information is presented below:

Fiscal Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Obligation
6/30/2004	\$ 99,250	100%	\$ -
6/30/2005	98,316	100%	-
6/30/2006	101,712	100%	-

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) Entry Age (b)	Under- funded (AAL) (UAAL) (b-a)	Funded Ratio (ab)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)c)
12/31/2003	14,988,769	14,174,229	(814,540)	106%	2,807,398	-29%
12/31/2004	15,402,864	15,531,838	128,974	99%	2,985,693	4%
12/31/2005	15,709,223	15,745,190	35,967	100%	2,912,728	1%



SUPPLEMENTAL
INFORMATION



**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS

ALMA HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

December 31, 2006

Line Item #	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
ASSETS						
CURRENT ASSETS:						
Cash:						
111	Cash - unrestricted	197,564	1,260,973	50,095	-	1,508,632
100	Total cash	197,564	1,260,973	50,095	-	1,508,632
Accounts and notes receivables:						
122	Accounts receivable - HUD other projects	-	-	-	5,800	5,800
126	Accounts receivable- tenants	20	6,072	-	-	6,092
126.1	Allowance for doubtful accounts - tenants	-	(4,876)	-	-	(4,876)
120	Total receivables, net of allowances for doubtful accounts	20	1,196	-	5,800	7,016
Other current assets:						
131	Investments	51,820	135,761	-	-	187,581
142	Prepaid expenses	-	1,687	-	-	1,687
144	Interprogram due from	2,401	5,800	-	-	8,201
150	TOTAL CURRENT ASSETS	251,805	1,405,417	50,095	5,800	1,713,117
NONCURRENT ASSETS:						
Fixed assets:						
161	Land	-	124,090	-	-	124,090

See accompanying notes to financial statements



**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS

ALMA HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

December 31, 2006

Line Item #	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
162	Buildings	990,157	3,895,324	-	22,486	4,907,967
163	Furniture, equipment & machinery - dwellings	51,048	58,452	-	30,732	140,232
164	Furniture, equipment & machinery - administration	26,038	202,176	-	50,036	278,250
165	Leasehold improvements	18,024	720,515	-	290,926	1,029,465
166	Accumulated depreciation	(805,017)	(3,109,002)	-	(35,852)	(3,949,871)
160	Total fixed assets, net of accumulated depreciation	280,250	1,891,555	-	358,328	2,530,133
180	TOTAL NONCURRENT ASSETS	280,250	1,891,555	-	358,328	2,530,133
190	TOTAL ASSETS	\$ 532,055	\$ 3,296,972	\$ 50,095	\$ 364,128	\$ 4,243,250

LIABILITIES AND NET ASSETS

LIABILITIES:

CURRENT LIABILITIES

312	Accounts payable ≤ 90 days	\$ 696	\$ 6,245	\$ -	\$ -	\$ 6,941
321	Accrued wages / payroll taxes payable	1,354	9,399	1,066	-	11,819
322	Accrued compensated absences - current portion	5,893	9,822	3,787	-	19,502
333	Accounts payable - other government	-	9,923	-	-	9,923
341	Tenant security deposits	5,020	18,311	-	-	23,331
342	Deferred revenues	193	2,431	-	-	2,624

See accompanying notes to financial statements



**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS

ALMA HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

December 31, 2006

Line Item #	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
347	Interprogram due from	-	2,401	-	5,800	8,201
310	TOTAL CURRENT LIABILITIES	13,156	58,532	4,853	5,800	82,341
354	Accrued compensated absences - non current	4,521	7,534	-	-	12,055
350	TOTAL NONCURRENT LIABILITIES	4,521	7,534	-	-	12,055
300	TOTAL LIABILITIES	17,677	66,066	4,853	5,800	94,396
<u>NET ASSETS</u>						
508.1	Investment in capital assets, net of related debt	280,250	1,891,555	-	358,328	2,530,133
512.1	Unrestricted net assets	234,128	1,339,351	45,242	-	1,618,721
513	TOTAL NET ASSETS	514,378	3,230,906	45,242	358,328	4,148,854
600	TOTAL LIABILITIES AND NET ASSETS	\$ 532,055	\$ 3,296,972	\$ 50,095	\$ 364,128	\$ 4,243,250

See accompanying notes to financial statements



**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS

ALMA HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Proprietary Fund

For the Year Ended December 31, 2006

Line Item #	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
<u>REVENUES</u>						
703	Net tenant rental revenue	\$ 80,323	\$ 192,258	\$ -	\$ -	\$ 272,581
704	Tenant revenue - other	-	992	-	-	992
705	Total tenant revenue	80,323	193,250	-	-	273,573
706	HUD PHA grants	129,004	237,333	233,800	76,987	677,124
706.1	Capital grants	-	-	-	249,429	249,429
711	Investment income - unrestricted	2,668	49,729	123	-	52,520
714	Fraud recovery	-	-	1,300	-	1,300
715	Other revenue	8,059	12,302	-	-	20,361
716	Gain / loss on sale of fixed assets	-	900	-	-	900
700	TOTAL REVENUE	220,054	493,514	235,223	326,416	1,275,207
<u>EXPENSES</u>						
Administrative:						
911	Administrative salaries	12,400	98,228	23,816	-	134,444
912	Auditing fees	200	2,200	500	-	2,900
914	Compensated absences	(182)	(303)	(66)	-	(551)
915	Employee benefit contributions- administrative	3,722	29,570	6,676	-	39,968
916	Other operating- administrative	3,049	22,459	4,013	-	29,521
	Total Administrative	19,189	152,154	34,939	-	206,282

See accompanying notes to financial statements



**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS

ALMA HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Proprietary Fund

For the Year Ended December 31, 2006

Line Item #	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
Tenant services:						
924	Tenant services - other	1,541	1,469	-	-	3,010
Utilities:						
931	Water	4,799	21,973	-	-	26,772
932	Electricity	22,251	13,227	-	-	35,478
933	Gas	2,760	47,796	-	-	50,556
	Total Utilities	29,810	82,996	-	-	112,806
Maintenance:						
941	Ordinary maintenance and operations - labor	15,878	108,676	-	-	124,554
942	Ordinary maintenance and operations - materials & other	2,995	14,261	-	-	17,256
943	Ordinary maintenance and operations - contract costs	14,306	16,009	-	1,987	32,302
945	Employee benefit contributions- ordinary maintenance	4,796	30,214	-	-	35,010
	Total Maintenance	37,975	169,160	-	1,987	209,122
General expenses:						
961	Insurance premiums	-	18,392	-	-	18,392
963	Payments in lieu of taxes	-	9,923	-	-	9,923
964	Bad debts - tenant rents	-	5,971	-	-	5,971
	Total General Expenses	-	34,286	-	-	34,286

See accompanying notes to financial statements



**ANDERSON, TACKMAN
& COMPANY, P.L.C.**
CERTIFIED PUBLIC ACCOUNTANTS

ALMA HOUSING COMMISSION

**FINANCIAL DATA SCHEDULE
Proprietary Fund**

For the Year Ended December 31, 2006

Line Item #	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
969	TOTAL OPERATING EXPENSES	88,515	440,065	34,939	1,987	565,506
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	131,539	53,449	200,284	324,429	709,701
971	Extraordinary maintenance	2,976	-	-	-	2,976
973	Housing assistance payments	-	-	201,556	-	201,556
974	Depreciation expense	27,924	178,189	-	23,665	229,778
900	TOTAL EXPENSES	119,415	618,254	236,495	25,652	999,816
Other financing sources (uses)						
1001	Operating transfers in	-	75,000	-	-	75,000
1002	Operating transfers out	-	-	-	(75,000)	(75,000)
1010	Total other financing sources (uses)	-	75,000	-	(75,000)	-
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	\$ 100,639	\$ (49,740)	\$ (1,272)	\$ 225,764	\$ 275,391



ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

ALMA HOUSING COMMISSION

FINANCIAL DATA SCHEDULE
Proprietary Fund

For the Year Ended December 31, 2006

Line Item #	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	TOTAL
MEMO account information						
1103	Beginning equity	\$ 413,739	\$ 3,186,081	\$ 46,514	\$ 227,129	\$ 3,873,463
1104	Prior Period Adjustments, Equity Transfers	\$ -	\$ 94,565	\$ -	\$ (94,565)	\$ -
1113	Maximum Annual Contributions Commitment (Per ACC)	\$ -	\$ -	\$ 233,800	\$ -	\$ 233,800
1116	Total Annual Contributions Available	\$ -	\$ -	\$ 233,800	\$ -	\$ 233,800
1120	Unit months available	360	1,128	743	-	2,231
1121	Number of unit months leased	355	1,112	743	-	2,210
1117	Administrative fees	-	-	38,106	-	38,106
1118	Housing assistance payments equity	-	-	7,136	-	7,136

ALMA HOUSING COMMISSION

FEDERAL AUDIT REPORTS

For the Year Ended December 31, 2006

ALMA HOUSING COMMISSION

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

Board of Commissioners
Alma Housing Commission
Alma, Michigan

We have audited the financial statements of Alma Housing Commission as of and for the year ended December 31, 2006, and have issued our report thereon dated June 29, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Alma Housing Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Alma Housing Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Alma Housing Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Alma Housing Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

This report is intended solely for the information of the Board of Commissioners, management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than those specified parties.

Anderson Tackman & Co. PLC

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

June 29, 2007

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Board of Commissioners
Alma Housing Commission
Alma, Michigan

Compliance

We have audited the compliance of Alma Housing Commission with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended December 31, 2006. Alma Housing Commission's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Alma Housing Commission's management. Our responsibility is to express an opinion on Alma Housing Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Alma Housing Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Alma Housing Commission's compliance with those requirements.

In our opinion Alma Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

Internal Control Over Compliance

The management of Alma Housing Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Alma Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133
(Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants, that would be material in relation to a major federal program being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Anderson Tackman & Co. P.C.

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Iron Mountain, Michigan

June 29, 2007

ANDERSON, TACKMAN
& COMPANY, P.L.C.
CERTIFIED PUBLIC ACCOUNTANTS



ALMA HOUSING COMMISSION

For the Year Ended December 31, 2006

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Federal Grantor/Pass Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Award Amount</u>	<u>Expensed as of 12-31-05</u>	<u>12-31-06 Federal Expenditures</u>
Operating Subsidy	14.850	\$ 237,333	\$ -	\$ 237,333
Section 8 Rental Voucher	14.871	\$ 233,800	\$ -	\$ 233,800
Section 8 New Construction	14.182	\$ 129,004	\$ -	\$ 129,004
Capital Funding	14.872			
501-02		\$ 179,983	\$ 175,630	\$ 4,353
501-03		168,640	6,322	162,318
501-04		162,930	-	159,745
		\$ 511,553	\$ 181,952	\$ 326,416
Total Department of Housing and Urban Development				\$ 926,553

See accompanying notes to the schedule of expenditures of federal awards.

ALMA HOUSING COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2006

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Alma Housing Commission and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE B - COST REPORTS

Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the modernization cost reports.

ALMA HOUSING COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2006

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion of the general purpose financial statements of the Alma Housing Commission.
2. There were no reportable conditions relating to the audit of the general purpose financial statements.
3. There were no instances of noncompliance material to the general purpose financial statements of the Alma Housing Commission.
4. There were no reportable conditions relating to the audit of the major federal award programs as reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the Alma Housing Commission expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for the Alma Housing Commission.
7. The programs tested as major programs included:
 - A. Capital Funding – CFDA 14.872
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Alma Housing Commission was determined to be a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

1. There were no reportable conditions.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

1. There were no findings or questioned costs.

PRIOR FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

1. There were no findings or questioned costs.